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UNCLAS SECTION 01 OF 02 PHNOM PENH 001827

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STATE FOR EAP/MLS, DRL/IL, EB/TPP/ABT

E.O. 12958: N/A

TAGS: [ELAB](#) [ECON](#) [KTEX](#) [CB](#)

SUBJECT: CAMBODIA: UNIONS THREATEN STRIKE AS GARMENT SECTOR NEGOTIATIONS DRAG ON

REF: A. PHNOM PENH 1693

[¶](#)B. PHNOM PENH 1614

[¶](#)C. PHNOM PENH 1204

[¶](#)11. (SBU) Summary. After more than three hours of discussion on September 30, the third round of negotiations between unions and garment manufacturers ended with essentially no progress towards an agreement. Garment manufacturers agreed to add only 25 cents to their previously proposed minimum wage of USD 51.75 per month. Unions privately discussed reducing their demands by USD 3 to USD 73, but eventually put forward only a vague proposal to discuss wage and bonuses without reference to dollar amounts. The next round of negotiations will take place on Oct. 13 and 20, and unions have threatened to strike if a deal is not reached by late October. End Summary.

24 Dollars Still Separates Unions and Employers

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[¶](#)12. (U) After three rounds of negotiations, about USD 24 per month still separates the two sides, with unions asking for USD 76 over three years and employers offering USD 51.75. (Note: The current minimum wage is USD 45 per month. End Note.) International Labor Organization Chief Technical Advisor John Ritchotte remarked that negotiations haven't really started yet as the two sides seem to be playing a game of "who will reveal their bottom line first?" Many potentially contentious issues, ranging from proposed increases in seniority and attendance bonuses to final and binding arbitration for labor disputes have not yet been discussed.

Union Leaders Split on Strategy

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[¶](#)13. (U) Unions met on October 2 to formulate their new strategy in negotiating with garment manufacturers. During the meeting, they requested that negotiating sessions be held October 13 and October [¶](#)120. If these two rounds of negotiations fail to bring about any tangible result, they will resort to "other means," which could include a general strike to start October 30 or later.

[¶](#)14. (SBU) Despite this unified public message, privately labor leaders within the group of 17 negotiating unions are split over how to proceed. Chea Mony, president of the influential Free Trade Union (FTU), noted that the Garment Manufacturers Association of Cambodia (GMAC) proposal was very close to what FTU had suggested in June. (Note: In June, following FTU threats to lead a general strike, GMAC and FTU came close to reaching an agreement on a minimum wage increase. GMAC offered a USD 7 increase over three years (USD 2 in the first year, 2 in the second year, and 3 in the third year) while FTU countered with a more front-loaded USD 8 increase over three years (USD 3 in the first year, 3 in the second year, and 2 in the third year). End Note.) Mony is anxious for a more realistic union proposal and is reluctant to call a general

strike. Instead, he told Poleconoff and Labor Assistant, the FTU would seek to reach agreements with individual factories, and only consider strikes against specific factories if those efforts fail.

¶5. (SBU) Other union leaders are less committed to negotiations. Ath Thorn, president of the Coalition of Cambodian Apparel Workers Democratic Union, is the main force pushing the unions towards a possible general strike and has told his union members twice that he won't compromise with GMAC. Chuon Momthol, president of the Cambodian Union Federation (CUF), and other pro-CPP union leaders hope for government intervention. Both Chea Mony and Som Aun, president of the Cambodian Labor Union Federation and spokesman for the 17 negotiating unions, have asked the embassy to encourage unions to be more earnest in their negotiations and to avoid a strike.

Garment Factories Won't Give In

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¶6. (SBU) GMAC Chairman Van Sou Ieng has publicly claimed that a USD 63 minimum wage could cause the entire garment industry to collapse. Vietnam--with higher levels of development, better infrastructure, lower costs, and a USD 55 minimum wage--would lure factories away from Cambodia, he said. Ken Loo, Secretary-General of GMAC, told Poleconoff that GMAC will not respond to the strike threat, as doing so could set a dangerous precedent for the future. Loo is not particularly concerned about the threat of a strike, and said that, if negotiations fail, he hoped the government would intervene before a strike occurred.

Comment

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¶7. (SBU) Just as when the FTU threatened to call a general strike

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in June, GMAC and the unions are engaged in a game of chicken. At this point a strike is avoidable, but only if both sides make a genuine attempt to compromise. While the threatened strike was an attempt to inject some sort of new energy into the stalled discussions, it seems to have failed. The Embassy will remain engaged in the issue and will continue to press union leaders, and particularly Ath Thorn, to adopt a more moderate stance. End

Comment.